

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

ENFORCEMENT TRACKING NOS:

**SWIFT ENERGY COMPANY
(MULTIPARISH)**

**AE-CN-02-0110
AE-CN-02-0274
AE-N-02-0127**

**PROCEEDINGS UNDER THE
LOUISIANA ENVIRONMENTAL
QUALITY ACT,
LA. R.S. 30:2001, ET SEQ.**

AGENCY INTEREST NOS. 33380, 102356 AND 33383

SETTLEMENT AGREEMENT

The following Settlement is hereby agreed to between Swift Energy Company (“Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under the authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001 et seq. (“the Act”).

I.

Respondent is a corporation that owns and/or operates oil and gas exploration and production facilities in the state of Louisiana. The majority of these facilities operate pursuant to small source air permits under LAC 33:III.Chapter 5.

II.

On December 31, 2002, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement Tracking No. AE-CN-02-0274 to Respondent. On January 6, 2003 the Department issued a Notice of Violation, Enforcement Tracking No. AE-N-02-0127, to Respondent. On January 22, 2003, the Department issued a Consolidated

Compliance Order and Notice of Potential Penalty, Enforcement Tracking No. AE-CN-02-0110

to Respondent. These enforcement actions are referred to herein globally as “the Enforcement Documents” and are made a part of this Settlement Agreement by reference.

The Enforcement Documents are based on the following findings of fact:

- a. Respondent failed to submit change of ownership notification within ninety (90) days after acquiring the Maricle 14 No. 1 facility in Vernon Parish on or about September 1, 1998. (AE-N-02-0127.)
- b. Respondent’s oil and gas facilities in Louisiana are required to operate in accordance with Louisiana air permit regulations at LAC 33:III.Chapter V. Respondent failed to obtain approval from the permitting authority prior to the construction, modification, or operation of each facility listed below, which ultimately resulted in an initiation or increase in emissions of air contaminants. (AE-CN-02-0274).

FACILITY	PARISH
Lawton 9-1 Production Facility	Rapides
Swenco Minerals 14 No. 1	Rapides
Temple 2-1 Production Facility	Rapides
Temple 4-1 Production Facility	Rapides
Temple 6-1 Production Facility	Rapides
Temple 20-1 Production Facility	Rapides
Snyder Minerals A26 No. 1	Sabine
Blackstone Minerals 7 No. 1H. White 14-1 & 1D	Vernon
Bush 16 No. 1	Vernon
Exxon Minerals 13 No. 2	Vernon
Exxon Minerals 18 No. 1	Vernon
Honeycutt 3 No. 1	Vernon
Hunt Forest Products 31 No. 1	Vernon
Lambright 4 No 1	Vernon
Nelson SWD Common Point Production Facility	Vernon
Scobee 34 No. 1	Vernon
Sonat Minerals 6 No. 1	Vernon
Sonat Minerals 16 No. 1	Vernon
Sonat Minerals 18 No. 1	Vernon
Sonat Minerals 28 No. 1	Vernon
Sonat Minerals A1 No. 1	Vernon
Sonat Minerals A27 No. 1	Vernon
Stevens 31 No. 1	Vernon
Swenco Minerals 11 No. 1	Vernon
Temple 19 No. 1	Vernon

Temple 21 No. 1	Vernon
Temple 22 No. 1	Vernon
Temple 28 No. 1	Vernon
Temple A24 No. 1 and Temple A25 No. 1	Vernon
Temple A27 No. 1	Vernon

- c. Respondent failed to submit change of ownership notification within ninety (90) days after acquiring Sonat Minerals B-6 No. 1 facility in Vernon Parish on January 1, 2000. Respondent failed to obtain approval from the permitting authority prior to the modification of the Sonat Minerals B-6 No. 1 facility, which ultimately resulted in an initiation or increase in air emissions. Respondent failed to operate, maintain and monitor the flare pit at Sonat Minerals B-6 No. 1 as required by Louisiana Air Permit No. 2960-00074-01. (AE-CN-02-0110.)

III.

Respondent filed a request for adjudicatory hearing in response to the Enforcement Documents. Respondent and the Department subsequently entered into an alternative dispute resolution agreement.

IV.

On or about January 28, 2003, Respondent met with the Department to discuss the Enforcement Documents. Respondent provided the Department with additional information regarding its operations and activities, as well as information regarding mitigating circumstances concerning the alleged violations including:

Either Respondent or the previous owner/operator applied for and received air permits for the majority of Respondent's facilities prior to the issuance of the Enforcement Documents; and that an operator of an oil and gas facility cannot know whether the well will be productive. Even for productive wells the operator cannot know, prior to drilling, whether the operation will produce emissions significant enough to trigger the permit requirement.

V.

Further, at the meeting on or about January 28, 2003, Respondent offered to conduct an audit of its remaining facilities in Louisiana to determine compliance with Louisiana air permit regulations (the "Audit"). The Audit identified 31 additional facilities requiring ownership

notice changes, small source air permits and/or air permit exemption requests. These additional facilities are listed in the Appendix to this Settlement Agreement, which is incorporated herein and made a part hereof.

VI.

As a result of information discovered by Respondent in the Audit and reported to the Department, a compliance inspection of the Respondent's Caseload Production Facility was performed by the Department on or about June 9, 2003 to determine the degree of compliance with the Act and Air Quality Regulations. Several areas of concern were noted during the course of the inspection. A copy of the inspection report is attached hereto and made a part hereof as an exhibit. In addition, a file review of the Caseload Production Facility was performed on or about September 4, 2003. Several Title V compliance issues were discovered as a result of the file review, including late submittals of the semi-annual monitoring reports and annual compliance certification for the 2001 calendar year and multiple deviations as listed in the annual compliance certification for the 2002 calendar year dated March 28, 2003.

VII.

Respondent has made ownership notifications and/or filed for permits or exemptions for all facilities identified in the Enforcement Documents and in the Audit.

VIII.

Respondent neither admits nor denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IX.

Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of

\$41,000.00, of which \$999.38 represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement and claims that could have been made regarding the results of the Audit as described in Paragraph V of this Settlement Agreement and the areas of concern and **file review** as described in Paragraph VI of this Settlement Agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).]

X.

Respondent further agrees that the Department may consider the inspection report(s), the enforcement actions cited herein and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history. Provided, however, nothing contained herein shall estop Respondent, in any future enforcement or permitting action, from putting forward evidence or documents relating to the circumstances of the violations alleged herein and/or mitigating factors relating to the violations alleged herein, for the sole purpose of determining Respondent's compliance history.

XI.

This Settlement Agreement shall be considered a final order of the Secretary of the Department for all purposes including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this settlement agreement. Respondent, however, expressly reserves the right to

administrative or judicial review of the actions of the Department interpreting and/or applying the terms of this Settlement Agreement.

XII.

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in La. R.S. 30:2025(E) of the Act.

XIII.

The Respondent has caused a public notice advertisement to be placed in the official journal of the governing authority in Parishes of Vernon, Rapides, Plaquemines and Sabine, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XIV.

Payment is to be made within fifteen (15) days from Respondent's receipt of notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environment Quality, Post Office Box 4303, Baton Rouge, Louisiana 70821-4303.

XV.

In consideration of the above, any claims for penalties, arising from circumstances including but not limited to, civil or administrative penalties, economic benefit of non-compliance, fees not paid and fees not timely paid, and Department costs, are hereby compromised and settled in accordance with the terms of this Settlement.

XVI.

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

APPENDIX

Facilities Identified in Audit

Blackstone 30 No. 1
Crosby 10 No. 1
Labokay 20 No. 1
Langton 20 No. 1
Sonat Minerals No. 3 SWD
Sonat Minerals 10 No. 1
Sonat Minerals 27 No. 1
Sonat Minerals 36 No. 1
Sonat Minerals 4 No. 1
Sonat Minerals A No. 2
Sonat Minerals A36 No. 1
Temple 24 No. 1
Caseload
State Lease 212 CF3
CM3 Facility
6700 Commingling Facility
Labokay 3 No. 1
Labokay 3 No. 1
Martin Lumber 18 No. 1
Swenco 18 No. 1
Swenco 3 No. 1
Swenco 21 No. 1
Swenco 22 No. 1
Swenco 25 No. 1
Swenco A22 No. 1
Swenco B23 No. 1
Swenco 31 No. 1
Swenco 32 No. 1
Swenco A16 No. 2
Swenco A6 No. 1

WITNESSES:

Ronald McElroy

Wesley S. Green

RESPONDENT

BY: Joseph A. D'Amico
Joseph A. D'Amico, Executive Vice
President and Chief Operating Officer, Swift
Energy Company

WYB

JOSEPH A. D'AMICO
(Printed)

THUS DONE AND SIGNED in duplicate original before me this 20th day of

January, 2004, in Houston, Harris Co, Texas



Nancy R. Megas
NOTARY PUBLIC

WITNESSES

Loni Evans

Peggy M. Hatch

STATE OF LOUISIANA

Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

By: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 11th day of

May, 2004 in Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC

Approved: R. Bruce Hammatt
R. Bruce Hammatt, Assistant Secretary

AE-CN-02-0110
AE-CN-02-0274
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CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

April 29, 2004

RECEIVED

MAY 10 2004

**LA Dept. of Environmental Quality
LEGAL DIVISION**


Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: Review of DEQ Settlement;
Swift Energy Company
AE-CN-02-0110; AE-CN-02-0274; AE-N-02-0127

Dear Secretary McDaniel:

Pursuant to the authority granted to me by R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,



NICHOLAS GACHASSIN
First Assistant Attorney General

NG/cbw